

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10

L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11

AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02

OPIC-03 LAB-04 SIL-01 OMB-01 STR-07 CEA-01 IO-13

/114 W

-----128181 070740Z /14

R 070301Z SEP 78

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 3329

INFO AMEMBASSY TOKYO

C O N F I D E N T I A L SEOUL 7930

E.O. 11652: GDS

TAGS: PEPR, ETRD, KS, JA

SUBJECT: JAPAN-ROK MINISTERIAL CONFERENCE: ECONOMIC ASPECTS

REF: SEOUL 7851

1. IN A CONVERSATION ON SEPTEMBER 6, DIRECTOR KANG OF THE FOREIGN MINISTRY'S ECONOMIC COOPERATION DIVISION HAD TWO OR THREE PITHY COMMENTS TO MAKE ON THE ECONOMIC ASPECTS OF THE RECENTLY CONCLUDED JAPAN-ROK MINISTERIAL.

2. FIRST, AS A GENERAL COMMENT, KANG ECHOED THE VIEW (REFTEL) THAT THE MINISTERIAL WAS ESSENTIALLY A SYMBOLIC EXERCISE. CONCRETE PROGRESS ON THE TOUGH OUTSTANDING ISSUES, MOST NOTABLY THE TRADE IMBALANCE, WAS NEITHER EXPECTED NOR ACHIEVED. AS KANG POINTED OUT, NONE OF THE PREVIOUS NINE JAPAN-ROK MINISTERIALS HAD HAD ANY DISCERNIBLE IMPACT ON KOREA'S CONSTANTLY MOUNTING TRADE DEFICIT VIS-A-VIS JAPAN.

3. AT THE SAME TIME, IN KANG'S VIEW, THE FACT THAT THE TRADE IMBALANCE WAS EVEN MENTIONED AT ALL IN THE JOINT STATEMENT REPRESENTED A MINOR VICTORY FOR THE KOREANS
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(THE TWO SIDES QUOTE TOOK NOTE UNQUOTE OF THE TRADE IMBALANCE.) EFFORTS IN PREVIOUS YEARS TO OBTAIN JAPAN'S EXPLICIT ACKNOWLEDGEMENT OF THE PROBLEM HAD FAILED. EVEN THIS YEAR'S RATHER NEUTRAL PASSING REFERENCE WAS WRUNG OUT OF THE JAPANESE ONLY AFTER TWO DAYS OF INTENSIVE BARGAINING.

4. THE OTHER MAJOR ECONOMIC ISSUE, IN KANG'S VIEW, WAS THE QUESTION OF QUOTE ECONOMIC COOPERATION UNQUOTE (I.E. JAPANESE LOANS TO KOREA). THE KOREANS ACKNOWLEDGEED THE HISTORICAL FACT THAT SUCH LOANS ARE MOVING QUOTE TOWARDS A NON-GOVERNMENTAL BASIS UNQUOTE, IN THE SENSE THAT A GROWING PERCENTAGE OF JAPANESE LOANS TO KOREA ARE COMMERCIAL RATHER THAN GOVT-TO-GOVT ASSISTANCE LOANS. ACCORDING TO KANG, HOWEVER, THE KOREAN SIDE MADE IT CLEAR THAT THEY WANT GOVT-TO-GOVT CONCESSIONARY LOANS TO CONTINUE FOR THE FORESEEABLE FUTURE AT ROUGHLY THE CURRENT RATE (APPROXIMATELY 100 MILLION DOLARS PER YEAR).

5. IN SHORT, BOTH SIDES MADE THEIR POINTS, BUT NEITHER SIDE YIELDED GROUND TO ANY SIGNIFICANT DEGREE.
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